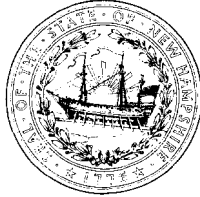


THE STATE OF NEW HAMPSHIRE

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August 24, 2006

Re: DT 06-072, Verizon Communications, Inc.
Verizon New Hampshire
Flexible Pricing Proposal

To the Parties:

This letter follows up on decisions of the Commission at its meetings of July 28 and August 18, 2006, in the above-referenced docket. Pending in this proceeding is a stipulation entered into by Verizon New Hampshire and Commission Staff proposing so-called "flexible pricing regulation."

On July 28, 2006, the Commission granted a motion of the Office of Consumer Advocate (OCA) for a stay, extending the procedural schedule by three weeks beginning with the August 4, 2006 deadline for the filing of testimony from Staff and intervenors. The procedural schedule was further revised by the Commission at its August 18 meeting, fixing the deadline for submission of testimony as September 13, 2006.

The purpose of these schedule changes was to provide the Commission with sufficient time to carefully consider various substantive motions interposed in response to Order No. 24,640 (June 30, 2006). In Order No. 24,640, the Commission imposed certain limitations on the scope of the proceeding. Specifically, the Commission determined that "development of a cost-of-service benchmark is unnecessary for a decision on the merits" and therefore it would "not include a review of the company's revenue requirement as part of th[e] proceeding."

Motions for rehearing of Order No. 24,640 were submitted by jointly appearing intervenors Irene Schmitt and Cynthia Smith as well as OCA, the latter also seeking to consolidate this proceeding with the Commission's investigation of Verizon's quality of service in Docket No. DT 04-019. Jointly appearing intervenors BayRing Communications and segTel moved to clarify Order No. 24,640 with respect to the extent to which the proposal contained in the stipulation is limited to retail services. Motions to compel Verizon to provide certain discovery responses, submitted by OCA as well as jointly appearing intervenors Schmitt and Smith, are also pending.

The Commission has determined that a hearing is warranted to provide parties with an opportunity to be heard on certain issues implicated by the pending motions. Accordingly, the Commission has scheduled a hearing for September 11, 2006, at 10:00 a.m., to consider the following questions:

- (1) Is the proposal contained in the stipulation an "alternative form of regulation" within the meaning of RSA 374:3-a and N.H. Code Admin. Rules Puc 206?
- (2) If the proposal contained in the stipulation were determined to be an alternative form of regulation, does any party seek waiver in whole or in part of Puc 206 and, if so, on what basis? If a waiver were sought, does any party object and, if so, on what basis?
- (3) If the proposal was determined to be an alternative form of regulation within the meaning of RSA 374:3-a and Puc 206, what is the appropriate procedure for considering the proposal?
- (4) Assuming the proposal in the stipulation is not an alternative form of regulation within the meaning of RSA 374:3-a and Puc 206 but is instead a form of price deregulation, what legal standard governs the Commission's authority to authorize such a proposal and what is the appropriate procedure for considering such a proposal?
- (5) Should the Commission consolidate this proceeding with the Commission's investigation of Verizon's quality of service, as proposed by OCA?

With respect to the pending motions to compel discovery, the Commission designates General Counsel Donald M. Kreis pursuant to RSA 363:17 to hear the parties, report the facts and make recommendations to the Commission as to the disposition of these motions. For that purpose, Mr. Kreis will contact the movants and Verizon to arrange an informal discovery conference. In light of the approaching deadline for submission of written testimony, the informal proceedings on the discovery motions need not await our consideration of the substantive motions.

In light of the above, the Commission is aware that the pending substantive motions will likely remain unresolved by the September 13, 2006 filing date for Staff and intervenor testimony. Should the outcome of those motions require the amendment or supplementation of the September 13 testimony, the Commission will consider that issue in due course.

Very truly yours,



ChristiAne G. Mason
Assistant Executive Director
and Secretary

cc: Docket File